EAST-WEST INVESTMENT NEWS

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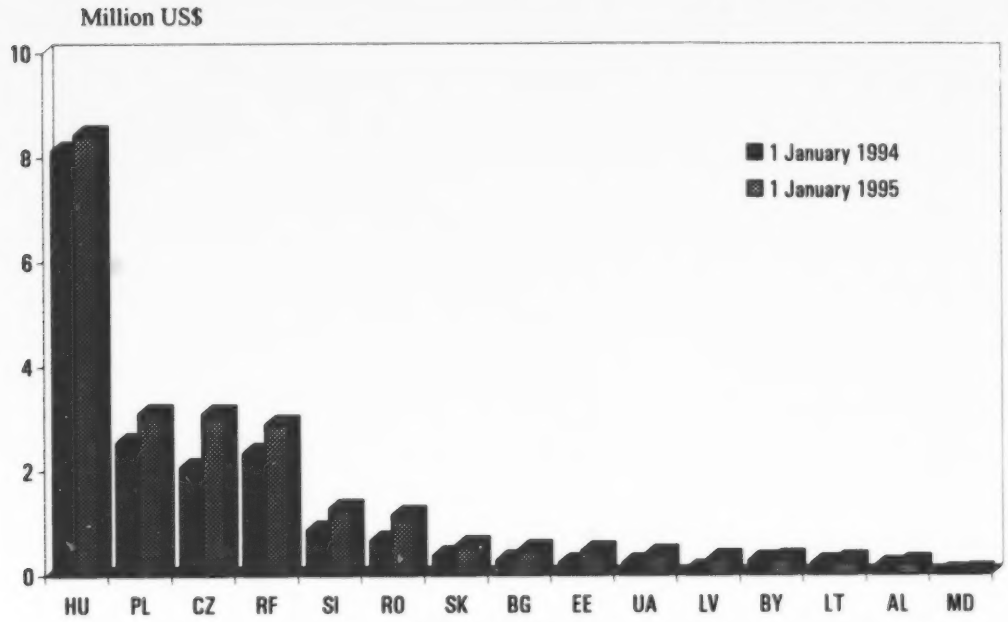
CHART 1

European transition economies: growth in foreign investment



FDI Stock Totals:
1 January 1994 - US$ 18,299.9 million
1 January 1995 - US$ 22,725.5 million

Source: **UN/ECE Secretariat - National statistics.**

INSIDE:

p. 2 Automatic tax holidays abolished in Latvia

p. 3 Minimum capital requirements for companies with foreign participation introduced in Uzbekistan

ABBREVIATIONS

AL	Albania
BG	Bulgaria
BY	Belarus
CIS	Commonwealth of Independent States
CZ	Czech Republic
EE	Estonia
FDI	Foreign direct investment
FDIE	Foreign direct investment enterprise
FI	Foreign investment
FIE	Foreign investment enterprise
GDP	Gross Domestic product
HU	Hungary
LT	Lithuania
LV	Latvia
MD	Moldova
PL	Poland
R	Russian Federation rouble
RF	Russian Federation
RO	Romania
SI	Slovenia
SK	Slovakia
SKK	Slovak Crown
TE	Transition economy
UA	Ukraine
US	United States (used as an adjective)
US$	US dollar
VAT	Value-added tax

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CONTENTS

REVIEW OF RECENT LEGISLATION:

LATVIA: Tax holidays for foreign investors abolished ..... p. 2
UZBEKISTAN: New rules for the registration of companies with foreign participation ..... p. 3
UKRAINE: Recent amendments to privatization, foreign currency and tax regulations ..... p. 4
RUSSIAN FEDERATION: Edict on development of leasing ..... p. 5
KAZAKHSTAN: New agency to deal with foreign investment ..... p. 6
ROMANIA: New rules and incentives for foreign investment ..... p. 6

IN BRIEF: Belarus, Bulgaria, Hungary, Slovakia ..... p. 8

FOREIGN INVESTMENT:

CzechInvest - The Czech Agency for Foreign Investment ..... p. 9

STATISTICAL INFORMATION:

General developments ..... p. 11
Highlights of foreign direct investment in Moldova ..... p. 12
Foreign investment in the Slovak Republic ..... p. 16

NEWS ROUND-UP:

RECENT AND FORTHCOMING MEETINGS: ..... p. 23

Workshops on cadastre and land administration; Seminar on attracting private investment for large-scale infrastructure projects in the transition economies; Round-table on finance for trade and investment in the transition economies

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REVIEW OF RECENT LEGISLATION

Latvia

Tax holidays for foreign investors abolished

On 28 March 1995 the Parliament approved amendments to the foreign investment law. These abolished automatic tax holidays provided for by the earlier FDI legislation and introduced procedures for registration of branch offices of foreign companies.

Although the provision on tax holidays was excluded from the text of the law, the new rules provide for a transition period during which tax rebates will still be available to the already established joint ventures. Moreover, different rules will be applied to companies established prior to March 1993 and in the period from March 1993 to March 1995 (thus reflecting different requirements of the earlier made FDI amendments).

Joint ventures created earlier than March 1993 (when previous regulations on tax concessions were amended) will be entitled to tax rebates under the following conditions:

(a) if the foreign share of the statutory capital exceeds 30 per cent, the company will enjoy a two-year tax holiday (starting from the date on which the first profits are declared) and a 50 per cent reduction of the basic corporate tax rate for the next two consecutive years;

(b) if the same conditions concerning foreign share are met and if the company is engaged in certain priority areas as designated by the FDI law (food, pharmaceuticals, electronics, telecommunications, manufacture of agricultural, medical, environment equipment, etc.), then the investor is eligible for a three-year tax holiday and a two-year tax rebate;

(c) if the foreign share exceeds 50 per cent and constitutes no less than US$ 1 million, the company is exempted from profit tax for three years; during the subsequent five years the company is granted a 50 per cent profit tax reduction.

For companies with foreign participation established between 12 March 1993 and 28 March 1995 the following apply:

(a) if the foreign share of a company's capital is no less than 30 per cent and amounts to a minimum of US$ 50 thousand, the company is eligible for a two-year tax holiday and two years of 50 per cent corporate tax rebates;

(b) for joint ventures that meet the above-mentioned capital and foreign share requirements and operating in priority areas designated by FDI legislation, the corresponding concession periods are three and two years;

(c) companies with an investment of no less than US$ 1 million and a foreign share exceeding 50 per cent receive a three-year tax holiday followed by a five year period with corporate tax liabilities reduced by half.

If a company with foreign participation ceases operations within three years of the date of its registration, it will be liable for the corporate tax that it was exempted from on all profits earned during the operational life of the company.

As far as the new procedure for registration of branch offices of foreign companies is concerned, a special appendix on this subject was added to the FDI law. Foreign investors must now submit the following information:

- the foreign investor's name and registration address;
- the investor's mailing address, telephone, fax and telex numbers;
- confirmation from the country from which the foreign investment is originating of its parent company's legal status;
- statute of a branch office, application for registration, etc.;
- information about the manager of a branch office;
- confirmation from the parent company about the rights assigned to the branch manager;
- documents serving as proof of address of the branch office in Latvia;
- licenses and/or other documents (if required) for certain types of activities.

New regulations also oblige the branch offices of foreign companies in Latvia, to register with the tax authorities as permanent taxpayers.

Another amendment concerns the list of industries and economic areas in which foreign investors are not allowed to gain control of local companies. The list was expanded by adding middleman operations in real estate. Initially the list included: the defence industry; the manufacture/sale of narcotics, weapons and explosives; the emission of stocks or banknotes; mass media; national education; the recovery of renewable and non-renewable natural resources; fishing in international waters; hunting; port management; gambling.

Uzbekistan

New rules for the registration of companies with foreign participation

On 2 March 1995, an edict from the Cabinet of Ministers introduced new registration rules for foreign companies and those with foreign capital (foreign investment enterprises or FIEs). These regulations were intended to define in detail the general provisions of the latest foreign investment law passed by the Parliament in May 1994.

The Edict confirms the rights of the above-mentioned legal entities to conclude agreements, acquire property rights and other rights, to sue and be sued in a court or arbitration tribunal. The property of a FIE cannot be subject to requisition or confiscation by the State. Requisitioning may take place only in cases of natural disaster, by special decision of the Cabinet of Ministers (CM) and require payment of an adequate compensation for the losses incurred.

Companies with foreign capital can exercise any activities which are provided for by a company's charter, unless the Uzbek legislation introduces specific restrictions.

A company with foreign capital may be organized in any legal form permitted by the law. The charter of a company must indicate the name under which a joint venture is registered (if applicable) and its location, legal form, purpose and activities to be undertaken, expected duration of the project's life, a list of investors, etc. The charter should also answer questions related to formation of the company's capital and the distribution of profits and dividends.

The company receives the status of a legal entity after its registration in the Ministry of Justice.

For the first time, the new regulations have introduced a minimum capital requirement for FIEs: US$ 10 thousand. The valuation of the property which is brought in by a foreign partner as a contribution to the capital is to be performed in accordance with the procedures stipulated by the Uzbek legislation (the valuation of intellectual property rights is to be made by an independent commission of experts).

Should a State enterprise or a company in which the State holds shares constitute a party to an FIE, the agreement on the valuation of contributions is to receive the consent of the State Committee on State Property.

Equipment and other goods imported into Uzbekistan as a contribution to the statutory capital of an FIE are not subject to import duties.

If a company with foreign participation also engages in foreign trade operations, an additional registration is required with the Ministry of Foreign Economic Relations (decision on submitted application is to be taken in 7 working days). Special licenses for exports and imports of certain goods might be necessary unless a company exports goods produced by itself and imports products for in-house consumption.

All expenses in hard currency by FIEs are to be covered by their internal foreign exchange revenues or by receipts from other sources allowed by the law (it should be noted that at present non-resident legal entities are not allowed to purchase hard currency on the domestic foreign currency market).

Companies with foreign participation may obtain credits in local and foreign currencies. There are no restrictions on the repatriation of profits abroad after paying taxes due.

Personnel of companies with foreign capital should consist primarily of Uzbek citizens.

Different registration rules are applied to companies with 100 per cent foreign capital. According to the Edict such enterprises are referred to as foreign enterprises. Their capital can held by one or a number of foreign legal or physical persons.

The proposal to create such an enterprise must be accompanied by a feasibility study and receive the approval of the CM (this procedure is not required for a joint venture). When foreign partners desire to buy 100 per cent of an existing Uzbek company, a copy of the text of such an agreement must be enclosed in addition to other documents required for receipt of an approval.

Establishing a joint venture involving the capital of Uzbek and foreign legal or physical persons does not require State approval, unless this process involves the transformation of an existing Uzbek enterprise with a capital exceeding US$ 20 million into a joint venture through the sale of its shares. If this is the case, a special approval from the CM is necessary.

The Edict of the CM refers also to the establishment of international organizations (i.e. companies with charters that provide for its operation not only in Uzbekistan, but other countries as well) in the republic and abroad with participation of Uzbek legal entities.

Thus, the establishment or liquidation a joint venture/ international organization, which is registered as a legal entity abroad now requires the approval from the Ministry of Foreign Economic Relations. If a State enterprise is party to such an agreement, the valuation of the capital contributions shall be agreed with the State Committee for State Property or one of its local bodies.

International organizations and joint ventures registered in Uzbekistan may create subsidiaries and branch offices in the country and abroad if such rights are provided by a company's charter. International organizations and joint ventures registered in other countries may establish subsidiaries with local companies in Uzbekistan.

Therefore, the new regulations have clarified the registration requirements for FIEs, although in certain areas the resultant rules turned out to be more strict than the original foreign investment law stipulations (e.g., minimum capital requirements, special permits for wholly foreign-owned companies).

* * *

In Summer 1995 a number of Presidential Decrees aiming at accelerating the privatization process were signed in Uzbekistan. They provide, inter alia, for the creation of investment funds to accumulate personal savings and channel them into privatization, and for developing the securities market.

As far as participation of foreign investors in the denationalization process is concerned, the main obstacle, as they claim, seems to be the still-unresolved issue of land (use and ownership).

This issue is important for both local and foreign investors. Even domestic legal and physical persons face different restrictions when they are allowed to buy land sites on which privatized businesses are located. For example, when State assets in trade and services with land plots are purchased, the agreement requires the preservation of a profile of the acquired business.

Currently, companies with foreign participation may only lease land. For example, in order to lease a land plot in Tashkent a company had to submit an application to municipal authorities stating the purpose and duration of the lease, the type of construction to be undertaken and the required surface of a land plot. In order to set leasing rates, the city was divided into 14 price zones. The minimum rates (which may be increased depending on the actual quality of the land) varied from US$ 2.5 per m2 on the outskirts of the city up to US$ 26.25 per m2 for parcels in the city centre. It should be noted that starting prices for auctions on the sale of shops with land plots for domestic investors ranges in Tashkent within 14 zones from 13.69 sum to 149.44 (the current exchange rate is approximately 35 sum to one dollar).

Foreign legal and physical persons must pay leasing fees in hard currency. For FIEs, the procedure depends on the currency (foreign or local) in which they carry out their activities. Thus, they could be obliged to pay fees either in foreign or in local currency, or in an agreed proportion of the two which corresponds to the distribution of the company's earnings in respective currencies.

Ukraine

Recent amendments to privatization, foreign currency and tax regulations

In May 1995, the Presidential Decree on the privatization of unfinished industrial projects was signed. According to official data, due to financial difficulties work at more than 7.6 thousand different construction sites is proceeding very slowly, while at more than 1.5 thousand of these sites work has stopped completely.

The purpose of the new Decree is to accelerate the sale of such projects by allowing foreign companies and those with foreign participation to take part in the bidding [since 1993 when this process started, only a few dozen of the sites have actually been sold]. The projects are to be sold either through auctions or [if there is only one buyer] by direct agreement.

While Ukrainian legal and physical persons can purchase land plots where unfinished construction is located, foreign companies and companies with foreign capital will only be able to acquire the use of land through long-term leases. Domestic physical and legal persons may be entitled to a 5-year payment plan in instalments, after they have paid half the price of the acquired project.

It should be noted that significant efforts are being undertaken to involve foreign investors in the denationalization process; in line with the Government decisions adopted earlier this year, packages of shares in a number of large industrial enterprises in different industries will be specially reserved for sale to foreign participants.

The Ukrainian Government is also elaborating plans on attracting foreign investors in the field of nuclear energy by floating shares of nuclear power stations and companies. Another aspect of this plan is the modernization and upgrading of the existing nuclear facilities in the country. In view of this, the Parliament took a special decision authorizing the Government to lift civil liability in the event of a nuclear accident for foreign companies which enter into contracts to supply equipment, building or servicing to nuclear power plants.

Important changes have also taken place in the corporate tax area. From the beginning of 1995 the new law on profits of enterprises entered into force. The Law states that State and private companies, banks, subsidiaries of legal entities, non-residents engaged in entrepreneurial activities through branch offices, and non-residents repatriating profits received in the country are liable for corporate taxes. The Law introduces a new (reduced) 30 per cent tax rate for both resident and non-resident companies based on net and not gross income as in the previous law.

In line with "national treatment", tax holidays for foreign investors are abolished. Companies registered prior to the implementation of the present law will still be eligible for five-year tax holidays unless their activities are subject to higher taxes (as mentioned below).

The same concessions are valid also for profits obtained by foreign investors on the basis of economic cooperation agreements, which are executed without establishing a separate legal entity. To be eligible, foreign investments must be made in areas defined by the Government and amount to a minimum of US$ 100 thousand.

The Law also establishes various tax ceilings for different activities. The following activities are liable for higher tax rates: 60 per cent for the operation of a casino, or any other gambling institution; 45 per cent for brokerage and middleman activities (excluding operations with securities, shares, etc.).

In another development, the Law introduces a new definition of a non-resident receiving "passive" profits. Such a person is not engaged in entrepreneurship through a permanent office and earns profits from technical and engineering services rendered to companies. Repatriation of such income is liable to a 15 per cent tax.

Profits from freight operations received by non-residents are taxed at 6 per cent rate.

Non-residents having their branch offices in the country pay a basic 30 per cent tax on incomes received through these offices. Should no profit be declared on such activities, tax authorities have the right to evaluate the company's tax liability on the basis of the branch office's accounting or other estimates.

The Law provides for tax allowances for investment and for companies employing handicapped persons. Thus, the tax rate may be reduced by the amount of actual investments in restructuring and modernization of production facilities up to a maximum of 20 per cent.

In the field of foreign currency regulations, the National Bank has announced that from 1 August 1995, local currency will be the only legal tender in the country. In line with this decision, all licences on the right to receive foreign currency in payment for goods and services were revoked (in May 1995 there were about 2,000 such organizations).

Russian Federation

Edict on development of leasing

On 29 June 1995, the Government approved the edict on the development of leasing in investment activities. The edict calls for implementation of a number of measures with the view of promoting leasing operations in Russia. Among measures to be undertaken and introduced shortly by concerned State bodies are:

- tax holidays for companies-lessors on profits received from leasing agreements with the duration of not less than three years;
- tax holidays for banks on profits received from credits (extended for three or more years) on financing of leasing schemes;
- abolishment of VAT payment for companies using leased equipment (VAT is to be paid by the final purchaser of the machinery);
- duty free imports of goods under leasing agreements;
- permission for lessees to include leasing fees and other associated expenses in the production cost of goods and services;
- establishing specialized leasing companies engaged in the leasing of construction, road building machines and special- purpose automobile transportation, as well as of equipment for agro-industrial complex;
- development of leasing in the defence industry;
- preparation of model drafts of a leasing company charter, of a leasing contract, and of a method of calculating leasing fees;
- establishing a State fund to promote leasing;
- preparation of a Federal programme of leasing development for 1996-2000.

In the view of the adoption in June 1995 by the Parliament of a package of Federal laws on standardization and certification, certain amendments were introduced to a number of laws. In particular, the provisions of the FDI law were changed so that companies with foreign participation are now obliged to obtain/have standardization and other certificates, if required, when manufacturing goods or importing goods and services.

In July 1995, the Central Bank announced that from 6 July to 1 October 1995 it will defend the fluctuations of the rouble against the US$ in the band of R 4.3-4.9 thousand to the dollar. Over the last few years, the exchange rate of rouble to dollar constantly declined with the low rate of R 5.1 thousand reached at the end of April 1995. Nevertheless, its rate slightly improved in June 1995 and it currently stands at 4.5- 4.6 thousand.

The decision to defend the rouble against selling pressures is considered as a Government commitment to stabilizing the economy.

At the beginning of July 1995, an agreement worth US$ 15 billion to develop oil and gas fields near the Sakhalin Island was signed. The project was under discussion since 1975 but only recently did partners (including a number of foreign and Russian companies, with the most important being the American Exxon and Japanese consortium Sakhalin Oil Development Company) manage to resolve all outstanding questions.

The exploitation potential of the project, known as Sakhalin 1, is estimated at up to 2.5 billion barrels of crude oil and 400 billion cubic metres of gas condensate. The duration of the concluded agreement will be 33 years; an 8 per cent royalty is to be paid by deliveries of oil, and profit tax is fixed at 32 per cent (the current basic corporate tax rate is 35 per cent).

In another development concerning the oil industry, the Presidential Decree lifted the previous obligation requiring oil and gas companies which receive investment loans backed by US Eximbank to sell a part of their hard currency earnings for roubles. The companies are expected to spend such hard currency resources on the repayment of credits extended to them.

Russian experts expected an increase in foreign companies' interest in investments in the development of the oil and gas sectors thanks to the law on natural resources and production-sharing establishing a legal base for such cooperation, which was passed by the parliament in July 1995 (at time this publication was going into press the text of this law was not available).

Kazakhstan

New agency to deal with foreign investment

On 15 March 1995 the Presidential Decree on the dissolution of the former Agency on Foreign Investments under the Ministry of Economy was signed. Simultaneously, the Committee on the Utilization of Foreign Capital was established which will report to the Cabinet.

The new Committee has an expanded authority and is considered as the central body responsible for the development and the implementation of governmental policy in the field of attracting and utilizing foreign investment, credits, and technical and financial assistance.

Other tasks set for the Committee by the Government are:

- to define priorities for utilizing foreign investment;
- to develop proposals on the volume (current and perspective) of the required foreign investment, on the limits of external debt and on the limits of guarantees issued on behalf of the Government;
- to organize and conduct activities on promoting foreign capital inflow;
- to coordinate interactions between central and local State bodies and business operators in the area of FDI promotion;
- to analyze and suggest measures to increase the effectiveness of the utilization of foreign capital.

The new body should find it easier to conduct a more coordinated State policy in facilitating foreign investors operations in the country. At the same time, some experts believe that its dual function as a policy making organization, and as a practical assistance arm to foreign investors, as well as its complicated responsibilities might divert the Agency's attention from the concrete actions necessary to support new companies activities in the field. In this respect, it should be noted that foreign investment agencies usually have more specific tasks and responsibilities (an example of a different structure of such an agency is CzechInvest, whose activities in promoting foreign capital inflow in the Czech Republic are highlighted in this issue).

In the meantime, the Kazakh Government is planning to start a large-scale campaign aimed at the further attraction of FDI and portfolio investments in the oil industry. Thus, it is planned that within the next two to three years, the State will dispose of the majority of shares held in major local oil and gas companies. As a first step towards that aim, the initial 20 per cent packages of shares in two oil and gas companies and in an oil refinery will be offered for bidding for foreign investors at an auction to be held in Autumn 1995.

Romania

New rules and incentives for foreign investment

On 1 January 1995, Romanian Government changed the scheme of profit taxation by Ordinance 70/1994, which entered in force immediately. The Ordinance modified the existing incentive system for foreign investments.

According to the new rules, foreign investments made prior to 1 January 1995 enjoy the following regime:

1. In case the foreign investor's paid-in contribution represents a minimum of 20 per cent of the social capital and is greater than US$ 10,000, the incentives are as follows:
   - a five-year tax holiday for foreign investments in agricultural, industrial or construction companies, or in the exploration and extraction of natural resources;
   - a three-year tax holiday for investments in communications and transportation companies;
   - a two-year tax holiday for investments in trade, tourism, banking, insurance and other services.
2. If the foreign investment does not meet the minimum threshold of US$ 10,000, the regulations pertinent to domestic investment apply.
3. Once the tax holiday period expires, taxes on profits are reduced provided that certain conditions are met:
   - by 50 per cent, if profits are reinvested in Romania, or used to expand operations or for environment protection;
   - by 25 per cent, if at least 50 per cent of the project's raw materials and energy are imported and at least 50 per cent of the resulting products or services are exported;
   - by 25 per cent, if over 10 per cent of the foreign investment is directed to research, development and training;
   - by 25 per cent, if at least 50 per cent of the capital equipment is obtained from domestic sources or at least 50 new jobs are created through reinvestment or expansion.

All tax holidays have been discontinued for investments made both by Romanian and foreign business operators after 1 January 1995. However, a special tax holiday of seven years has been granted for foreign investments in industry that exceed US$ 50 million and satisfy two criteria: a local content of 50 per cent and export level of 60 per cent. In addition, capital equipment imported by foreign investors as their contribution to a venture, or paid from their cash contributions, is exempt from custom duties.

It may also be recalled that on 5 October 1994 the Romanian Development Agency (RDA) issued a new regulation on foreign investment, Order No.1 which came into force on 10 October of the same year. This Order stipulates that the minimum capital required to establish a company, increase the capital of an existing company, or acquire shares, is US$ 10,000 for each physical and/ or juridical person. In accordance with this minimum capital requirement, the joint stock companies which have five shareholders must bring their minimum investment up to US$ 50,000.

Secondly, the registration should be done for a principal field of activity or at least for related activities as defined by the Nomenclature of the Romanian Chamber of Commerce and Industry. Unrelated activities should be registered as a separate entity.

Finally, an important provision of this regulation requires that foreign investors provide proof that they have not been previously involved in unlawful activity. To certify this, they must submit relevant documents issued by appropriate authorities of their country of origin. Foreign investors already residing in Romania for more than 60 days prior to the registration of a company must also submit a document from the Romanian authorities confirming that they have not been involved in activities that may have threatened Romanian public order.

One should note that the requirements stipulated by the new Order on foreign investment apply only to foreign investors.

IN BRIEF

Belarus

At the end of June 1995 the National Bank lifted restrictions on transactions in US dollars and Russian roubles. Prior to that time all transfers involving more than US$ 1 thousand dollars or roubles could be conducted only through the Interbank Currency Exchange. Such operations may now be carried out through the usual commercial channels.

The National Bank also reduced from 50 to 30 per cent the amount of hard currency export earnings which companies are obliged to sell for local currency.

Another decision of the National Bank required domestic commercial banks to maintain an authorised capital in local currency only. Thus, all contributions to their statutory capital made in a foreign currency are to be sold either on the open market or to the National Bank at the current rate of exchange.

According to certain estimates, such sales will increase the supply of US$ to the market by US$ 50 million, thus helping the central bank authorities preserve the present exchange rate of the local currency to the US$ (which currently stands at 11.5 thousand Belarus roubles to one dollar).

Bulgaria

In June 1995 the National Bank undertook certain measures aimed at regulating the financial market, particularly against financial institutions operating as pyramid schemes. During recent months, a few such schemes collapsed, wiping away the savings of thousands of depositors. As a result of the National Bank's actions, the licenses of certain financial companies were revoked. Moreover, a new amendment to the Criminal Code entered into force in June 1995. It makes it a criminal offence to conduct banking operations without a license obtained from the appropriate authorities.

Normalization of the financial markets should also facilitate the development of a privatization process in the country. It may be recalled that in March 1995 the Cabinet of Ministers approved the programme of privatization goals for the current year.

In accordance with this decision, privatization procedures will begin at 483 State enterprises, and the sale of another 612 companies will be finalized. At present, about 20 per cent of all industrial enterprises are already in private hands.

The Cabinet also approved lists of State enterprises which are exempted from privatization for the time being. Such businesses include those in which the State will keep a majority stake after their assets are sold, and companies which can be denationalized only by special decision of the Government.

The list of enterprises where the State will preserve its majority holding include companies in transport infrastructure (national air carrier, maritime and river transport and passenger companies, a number of sea and river ports and airports).

Hungary

In May 1995 the Hungarian Parliament approved new laws on privatization and on public procurement. The first bill aims at accelerating the denationalization process through different legal and institutional means, in particular, by establishing a new agency on state privatization and property management. All State assets that are currently kept at other State bodies and holding companies are to be transferred to the new agency, which will be responsible for disposal of all remaining State enterprises. It is estimated that by 1997, most of the economy will be in private hands.

The privatization law calls for certain industries to be retained under state control in future (defence, public utilities, companies in other important branches). In such cases, the State will usually keep a 50 per cent stake plus one share, although the State may settle for a minority share in particular deals.

The law on public procurement calls for public purchases to be made on the basis of tenders. It makes the organization of tenders obligatory whenever the value of the goods to be purchased exceed certain limits. Current ceilings vary from five million forints for public procurement contracts in the engineering industry to up to twenty million in the construction industry. For procurement for the needs of local public authorities, the limit is fixed at two million forints.

The Law requires a special prequalification procedure to be followed in cases involving investments of more than two hundred million forints (approximately USD 1.67 million). The purpose of this screening is to check the financial solvency and technical competence of companies and contractors wishing to start projects (for example, as proof they must submit information about their most important investment schemes during the last three years).

The above-mentioned limits are to be revised annually at the time budget proposals are submitted to the Parliament.

The Law also provides for certain concessions in bidding for local companies; such companies will be given preference even if their products are up to ten per cent more expensive than those of rival bidders. However, to be eligible for such preferential treatment, a product or service must have at least fifty per cent Hungarian content.

Slovakia

In July 1995 a number of important legal acts affecting privatization in Slovakia were passed by the Parliament.

New amendments to the mass privatization law will in effect signify an end of the voucher denationalization process (in which privatization vouchers were distributed to the population). In exchange for the previously distributed vouchers individual investors will now receive five-year bonds.

The Law passes control of privatization to the National Property Fund, which will establish a system of direct sales to potential buyers of State companies slated for denationalization. In addition, the Law excludes companies in strategic sectors of the economy (defence, railways, telecommunications, utilities, agriculture, power plants, etc.) from privatization. Certain provisions are also aimed at safeguarding the State's interest in important privatized companies.

New regulations on investment funds and on the extent of their involvement in the management of privatized enterprises could lead to closing down these funds, which previously carried out the majority of operations with privatization vouchers. More strict rules on trading in capital markets were also adopted.

As from 1 July 1995, in accordance with the decision of the Ministry of Economy, a number of restrictions were introduced with respect to foreign trade operations with the Czech Republic. Thus, imports from that country of live cattle, pigs, poultry, meat, milk and milk products, alcoholic and non-alcoholic drinks, tobacco products and some other goods will be subject to licensing; exports to this destination of raw timber and iron waste will hereafter be subject to quotas.

FOREIGN INVESTMENT

CzechInvest - The Czech Agency for Foreign Investment

by Jan Havelka, Chief Executive of CzechInvest

CzechInvest is the executive arm of the Czech Government responsible for attracting mobile manufacturing investment into the Czech Republic. Founded in November 1992 by Minister of Industry and Trade, Vladimir Dlouhy, CzechInvest's mission is to attract investments from key sectors, like automotive, electronics and precision engineering, that increase capital formation to ensure that the momentum created by the privatisation process is enhanced.

Modelled on some of Europe's most successful investment promotion agencies, CzechInvest is in the business of anticipating, identifying and addressing needs of foreign investors which in turn normally relate to increasing operational efficiency and/or striving to enhance market share. Now that the highly successful privatisation process is essentially complete, the main conduit through which companies can invest directly are greenfield, joint venture, sourcing and acquisition.

For those investors seeking greenfield investments or strategic joint ventures, CzechInvest offers potential investors a range of services free of charge. Such services include the provision of relevant data about doing business in the Czech Republic, sectoral specific information, organisation of visit programmes and assistance with dealing with bureaucracies at both the national and local levels. Through its regional network of site selection data, CzechInvest can assist investors in locating sites or buildings for specific projects and then help liaison with appropriate government departments. The clearer project interests are defined at the enquiry stage, the more detailed and customised the CzechInvest response will be, focusing on the operational benefits the Czech Republic affords.

During the two and a half years of its existence, the Agency was involved directly in, or assisted in, securing projects with an investment value of over US$ 120 million and 2,250 jobs were either created or safeguarded. These projects include Canstar, Philips Mecoma Ceska, Johnson Controls, Arrow along with Draka, ITT and Merfin.

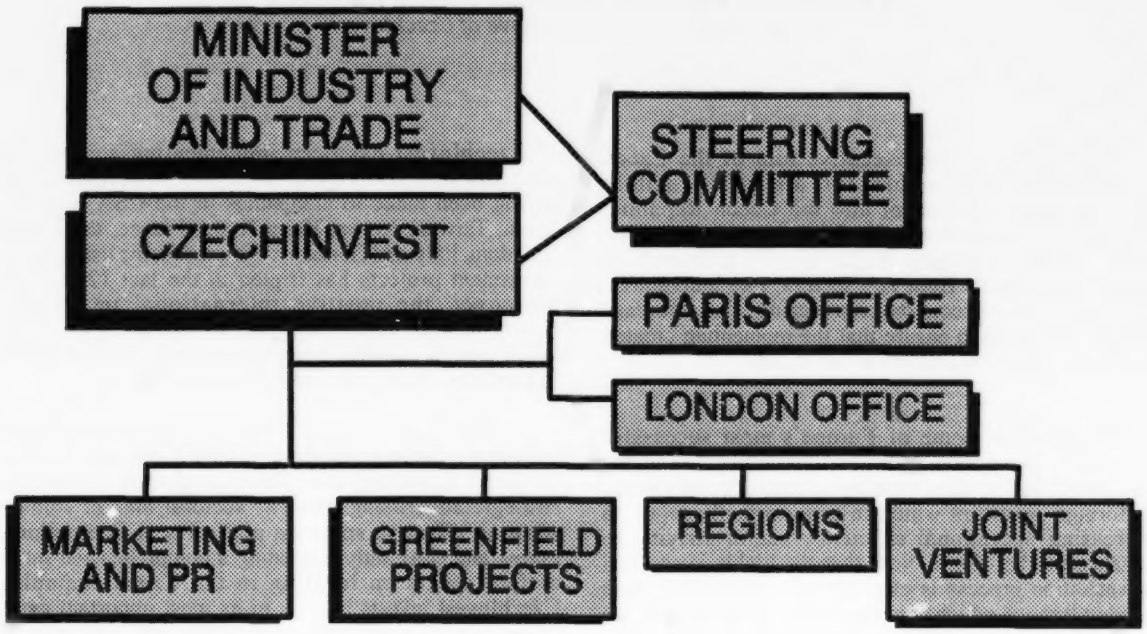
CzechInvest has been implementing a proactive marketing plan in key areas worldwide with presentations having been made to companies in the USA, Canada, Japan, Taiwan, Korea, Hong Kong, France, the United Kingdom, Italy and Germany. As a result, the list of active investment projects has tripled in the last 12 months. Moreover, the positive international image that CzechInvest is helping to generate, particularly within target sectors, can lead to investment activity in the Czech Republic not dealt with directly by CzechInvest.

CzechInvest utilises a range of marketing tools including a customer database of 20,000 company records for direct marketing, attendance at selected exhibitions, strategic advertising and PR, sectoral market studies, securing effective speaking platforms at international events and constantly upgrading a comprehensive series of fact sheets on locating in the Czech Republic. CzechInvest invests heavily in its most important asset, its people - through effective training programmes to provide the right skill mix to satisfy customer needs and extends these programmes to other ministries and the established network of regional representatives to ensure that CzechInvest's customers have access to quality data at national and local levels - property provision being an important output of the latter. To continually improve customer care, CzechInvest is committed to becoming more accessible in key markets through local representation. CzechInvest established its first of office in London at the beginning of 1995 and is opening up offices in Paris and Düsseldorf (October 1995).

Organization

CzechInvest is a lean organisation with around 25 staff members funded partially through the European Union's Phare programme and partially through the Czech Government. Staff are divided among four departments: Clients Services, Regions, Special Projects and Marketing and Public Relations. An advisory board, chaired by Deputy Minister of Industry and Trade, Václav Petiek, convenes quarterly to track CzechInvest's progress and make recommendations for future activity.

ORGANISATION



Greenfield Projects Department. The Special Projects department works with potential foreign investors to encourage the development of projects in two Czech Republic. In 1994 Special Projects successfully secured greenfield investments from leading companies including Philips, ITT, Draka, Schade, USG, Arraws and Canstar.

Joint Ventures Department. The Client Services Department's database, listing Czech companies interested in foreign cooperation as well as contacts with Czech associations and trade unions, is used to match foreign companies with potential Czech partners. In 1994 Client Services Department put foreign companies into contact with 194 Czech companies.

Regions Department. The Regions Department uses a network of representatives throughout the Czech Republic to pinpoint suitable sites and then assist foreign companies with the implementation of investment plans. The department currently maintains representatives in ten municipalities/cities: Plze , Zlin, Olomouc, Louny, Novy Ji in, Brno, Most, Hradec Králové, Pardubice and Znojmo.

Marketing and Public Relations Department. Responsible for promoting Czech Invest and the Czech Republic, the Marketing Department has focused its activity on forming contacts with media representatives, producing articles for domestic and foreign press, preparing presentations for potential foreign investors and managing direct marketing programmes. A database expanding to 20,000 target companies helps marketing department anticipate the needs of the foreign direct investor and respond with quality business information. The Marketing Department also maintains and distributes regularly updated fact sheets, has produced brochures on the Automotive and Electronics industry based on major studies and has released a ten-minute corporate video.

The professional team within CzechInvest stands ready to help companies capitalize on the outstanding operational benefits the Czech Republic affords. Interested parties should contact CzechInvest at:

CzechInvest
Czech Agency for Foreign Investment
Politických v z u 20
112 49 Praha 1
Czech Republic
Tel.: (+42 2) 2406 3022
Fax.: (+42-2) 2422 1804

STATISTICAL INFORMATION

1. General developments

The data now available from most European transition economies (TEs) allow some light to be shed on FDI growth in 1994 (see Table 1). It should be emphasized, however, that for most countries the information is not yet final. This is particularly important in the cases of Hungary and Poland whose FDI stock figures for the end of 1994 are likely to be revised upwards. This being said, in 1994, at yearly average exchange rates, FDI stock in the TEs for which data are available rose by US$ 4.4 billion: that is, from US$ 18.3 billion at the beginning of 1994 to US$ 22.7 billion twelve months later, a 24 per cent increase (Chart 1).

While data for longer time periods are not available for most TEs, those from the countries currently leading central European market reform (the Czech Republic, Hungary, Poland and Slovakia) show that the combined increments of FDI stock in these countries decreased in absolute terms from US$ 4.7 billion in 1992 to US$ 4.1 million in 1993. In 1994, according to the preliminary data, the increment dropped dramatically by half and did not exceed US$ 2.1 billion. The reduction in FDI growth rates in these countries broadly confirms an earlier finding by the UN/ECE secretariat based on the cash FDI inflows information.[1] The revision of preliminary figures, however, may bring the FDI growth estimates for 1994 upwards.

During 1994, FDI stocks grew the fastest in Latvia and Moldova, followed by Estonia, Romania and Bulgaria. One should take into account, however, that the small starting volumes of FDI in most of these countries tended to boost the growth rates as compared with those in countries which have already accumulated important amounts of FDI.

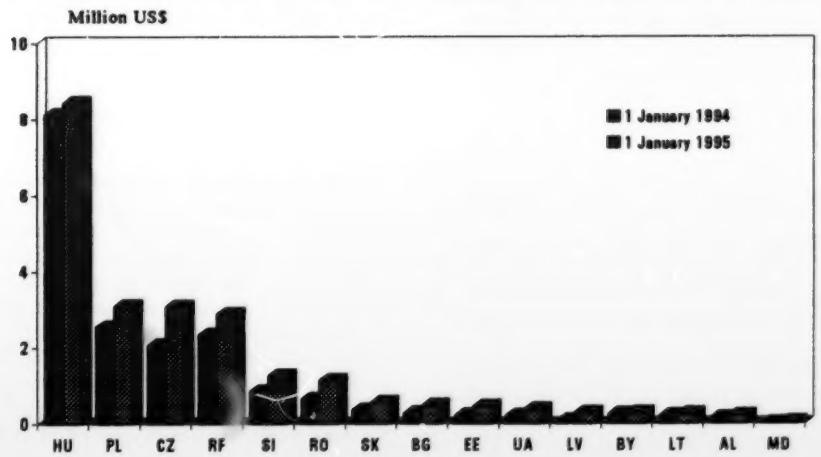
When comparing the structure of FDI stock by host economy, one should duly take into account both the preliminary nature and methodological differences of the individual country data available (see footnotes to Table 1). This being said, one notes that amongst the European TEs, Hungary remains by far the most successful in attracting FDI. Although its share in the regional FDI stock dropped during 1994, in January 1995 this country still accounted for 37 per cent of the total (compared to 44 per cent in January 1994). On the same date, the shares of the other major host countries - the Czech Republic, Poland and the Russian Federation - were stable and did not exceed 13-14 per cent in each case.

From another angle, despite slackening growth, the role of the TEs at the forefront of market reform as FDI host countries has remained preponderant: at the beginning of 1995, the Czech Republic, Hungary, Poland and Slovakia accounted for over two-thirds of the total regional FDI stock. When the FDI stock in Slovenia is added, the combined weight of these five countries amounts to 72 per cent.

[1] See UN/ECE Economic Survey of Europe in 1994-1995, pp.151-153

CHART 1

European transition economies: growth in foreign investment



FDI Stock Totals:
1 January 1994 - US$ 18,299.9 million
1 January 1995 - US$ 22,725.5 million

Source: UN/ECE Secretariat - National statistics.

TABLE 1

Foreign direct investment stock in European transition economies by year

COUNTRY	1.01.1992	1.01.1993	1.01.1994	1.01.1995	1.04.1995	1.07.1995	1992	1993	1994
	(Million US$)						Annual growth rate (per cent)		
Belarus (1)	..	..	248.8	286.9	..	..	..	..	15.3
Bulgaria	17.7 (5)	76.0 (5)	268.7 (5)	467.2	..	..	329.4	253.6	73.9
Czech Republic (2)	595.1	1555.3	2053.0	3077.4	..	..	161.4	32.0	49.9
Estonia (2)	..	58.6	221.1	437.3	..	..	..	277.3	97.8
Hungary	3137.0	5501.9	8119.4	8426.8	..	..	75.4	47.6	3.8
Latvia	..	33.4	79.8	288.9	..	..	..	138.9	262.0
Lithuania (1)	50.5	95.9	196.9	247.2 (3)	..	..	89.9	105.3	25.5
Moldova	..	..	7.2	24.8	28.7	..	..	..	243.3
Poland	479.5	1644.1	2542.5	3084.5 (3)	3284.5 (3)	..	242.9	54.6	21.3
Romania (1)	225.8	516.2	651.9	1134.8	1221.0	1380.2	128.6	26.3	74.1
Russian Federation	..	..	2337.2	2872.8	3074.7	..	..	..	22.9
Slovakia (1)	..	231.2	366.0	551.7	565.4	..	..	58.3	50.7
Ukraine (2)	..	..	211.4	366.9	..	..	..	..	73.6
SUB-TOTAL	..	..	17304.0	21267.2	..	..	..	..	22.9
Albania	..	..	144.0	200.0 (4)	..	..	..	..	38.9
Slovenia	..	..	851.0	1258.3	..	..	..	..	47.9
TOTAL	..	..	18299.0	22725.5	..	..	..	..	24.2

.. Data unreported or not yet available.

(1) Cumulative foreign component of foreign investment enterprises' (FIEs') statutory capitals.

(2) Cumulative balance-of-payments FDI inflows.

(3) Preliminary data.

(4) Secretariat estimate.

(5) Revised data.

Note: Values in national currencies converted into US dollars at historical yearly (quarterly or half-yearly) average exchange rates.

Source: UN/ECE Secretariat - national statistics.

2. Highlights of foreign direct investment in Moldova

The newly acquired statistics from the National Bank of Moldova offer a better view of the current status of foreign direct investment in this country. The available information, however, is inadequate for use in analyzing FDI growth for a number of years, or surveying operational indicators of FDI enterprises in that country.

Growth and capitalization

At yearly average exchange rates, *FDI stock* in Moldova increased more than three-fold, from US$ 7.2 million at the beginning of 1994 to US$ 24.8 million a year later (see Table 2). During the first quarter of 1995, the growth increment amounted to US$ 4.7 million, and at the end of March, FDI stock in Moldova stood at US$ 29.5 million.

Over the same period, the *number of FDI enterprises* increased by 42 per cent, growing from 112 at the beginning of 1994 to 159 twelve months later. An additional 18 enterprises were set up during the first quarter of 1995, so that by the end of it, they totalled 177.

Of the 47 FDIEs established during 1994, ten were entirely foreign owned. The latter accounted for 60 per cent of all foreign capital invested in new FDIEs during that year (US$ 8.0 million or 28 per cent of total FDI stock).

Foreign partners

The foreign investor country pattern is difficult to comment upon because of the relatively low volume of FDI and the changes in its structure that are likely to occur as a result of large individual undertakings. This being said, at the beginning of 1995 as much as 78 per cent of the FDI stock in Moldova originated in west European countries (see Chart 2 and Table 3). Of this, European Union countries accounted for 68 per cent. In terms of the number of FDI cases[1], western Europe's share was significantly lower, amounting to 30 per cent, 22 per cent of which were initiated by European Union investors.

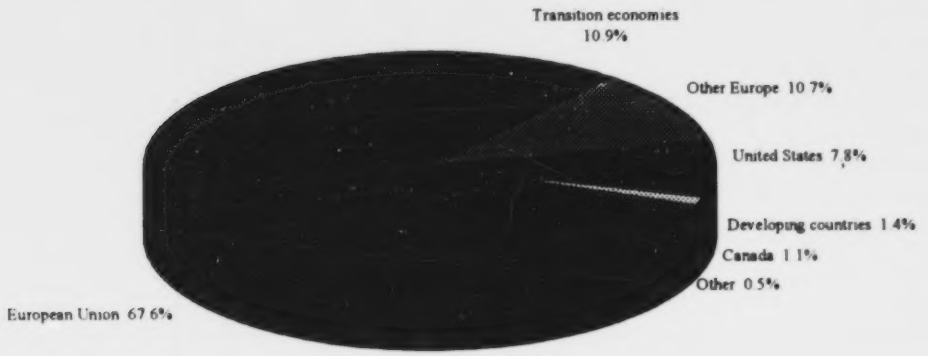
[1] In most countries of the region, the geographical distribution of foreign investment is based on the number of country stakes (individual participations or FDI cases) in enterprises with foreign capital. Since an FDIE may involve more than one foreign partner, the total number of individual participations generally exceeds that of the total number of FDIEs..

TABLE 2
Foreign investment in the Republic of Moldova

YEAR	FI STOCK			NUMBER OF FIEs	
	INCREMENTS	INCREMENTS	CUMULATIVE	INCREMENTS	CUMULATIVE
	(Million MDL)	(Million US$)			
1.01.1994 (1993)	...	...	7.2	...	112
1.01.1995 (1994)	71.4	17.6	24.8	47	159
1.04.1995 (1Q)	20.7	4.7	29.5	18	177

Note: Foreign capital figures are converted in US dollars at average yearly (quarterly) exchange rates.
Source: UN/ECE Secretariat - National Bank of Moldova.

CHART 2
Foreign investment in Moldova by origin of foreign investor, end 1994



FI Stock

Source: UN/ECE Secretariat - National Bank of Moldova.

By the end of 1994, United States companies had invested as much as 8 per cent of total FDI stock in Moldova and accounted for 12 per cent of the total number of FDI cases. The share of European transition economies did not exceed 11 per cent of the stock; however, investors from this region participated in over 45 per cent of investment cases. Finally, business operators from developing economies contributed about 1 per cent of the accumulated FDI in Moldova, and their share in the total number of FDI cases was about 2 per cent.

In terms of *major investor countries*, Italy and Ireland, with respectively 21 per cent and 16 per cent of total FDI stock, were at the top of the ranking (see Chart 3). They were followed by Sweden (15 per cent), Germany (11 per cent) and Liechtenstein (10 per cent). Altogether, the five top-ranking investor countries accounted for 72 per cent of total FDI stock, while the ten major investor countries claimed 93 per cent.

The ranking of major investor countries was significantly different in terms of the number of investments. Romania, with 21 per cent of the total, followed by the United States (12 per cent), Bulgaria (9 per cent) and Germany (8 per cent) headed the list of major aggregate investors. By this measure, the concentration rates of the top-five and top-ten major investor countries were lower than in terms of FDI stock (56 and 76 per cent, respectively). It should also be noted, that of the ten top-ranking investors, four - Romania, Bulgaria, the Russian Federation and Poland - were transition economies.

Industrial breakdown

On the same date, the industrial structure of foreign investment in Moldova was characterized by the predominance of services, which accounted for 65 per cent of total FDI stock and 76 per cent of the total number of FDI enterprises (see Chart 4 and Table 4). While the share of manufacturing was as high as 32 per cent (stock), the weights of the other sectors (agriculture, construction and transport) were insignificant (less than 2 per cent in each case).

Given the small volume of foreign investment accumulated so far, the focus of foreign companies on services may be easily shifted by the implementation of relatively large FI projects in other sectors. At the same time, more disaggregated information is needed to develop further the analysis of FDI's industrial structure.

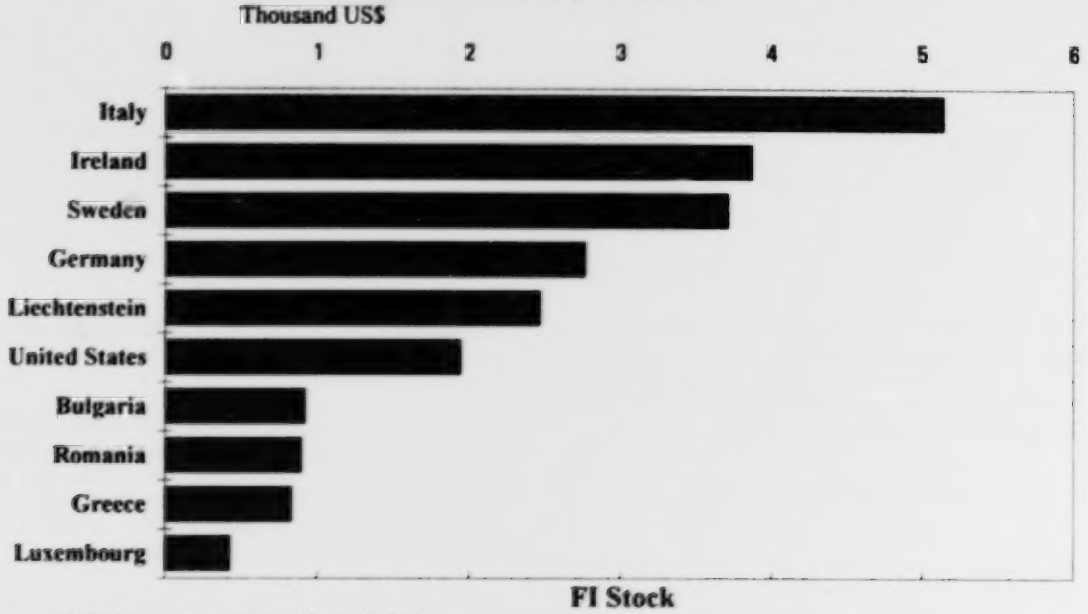
TABLE 3

Foreign Investment in the Republic of Moldova by foreign investor country

COUNTRY/REGION	FI STOCK (Thousand US$)	FI CASES (Number)
		1.01.1995
Western Europe:	19422.2	52
European Union:	16760.4	38
Austria	1.4	2
France	0.6	1
Germany	2762.9	14
Greece	828.0	1
Ireland	3866.0	1
Italy	5138.5	7
Luxembourg	424.9	4
Netherlands	6.1	2
Spain	4.0	1
Sweden	3708.0	2
United Kingdom	20.0	3
Other western Europe:	2661.8	14
Cyprus	13.1	2
Liechtenstein	2463.0	2
Malta	135.0	1
Turkey	50.7	9
Canada	273.8	5
Israel	63.8	8
United States	1940.8	21
Developing countries:	358.4	4
Brazil	342.0	1
Lebanon	16.0	2
Syrian Arab Republic	0.4	1
Transition economies:	2704.9	79
Bulgaria	916.9	16
Czech Republic	25.0	1
Hungary	385.0	0
Poland	48.6	7
Romania	895.4	37
CIS, of which:	424.0	16
Russian Federation	377.4	9
Ukraine	11.6	5
Other	35.0	2
Lithuania	10.0	2
Non-European planned economies:	13.0	2
China	13.0	2
Other:	7.0	3
Australia	0.0	1
South Africa	7.0	2
TOTAL	24783.9	174

Note: Figures may not add to totals due to rounding.
Source: UN/ECE Secretariat - National Bank of Moldova.

CHART 3
Foreign investment in Moldova by major foreign investor country, end 1994



Source: UN/ECE Secretariat - National Bank of Moldova.

CHART 4
Foreign investment in Moldova by sector of activity, end 1994

Source: UN/ECE Secretariat - National Bank of Moldova.

TABLE 4
Foreign investment in the Republic of Moldova by industry

ISIC rev.3 CODE	INDUSTRY	FI STOCK (Thousand US$)	NUMBER OF FIEs
		1.01.1995	
A	Agriculture, hunting & forestry	276.8	3
D	Manufacturing	7835.6	24
F	Construction	111.2	8
60-63	Transport	526.5	5
J-O	Services	16033.3	121
	TOTAL	24783.4	159

Note: Sum of columns for number of projects (161) does not agree with the respective total.
Source: UN/ECE Secretariat - National Bank of Moldova.

3. Foreign investment in Slovakia

East-West Investment News, No. 1, issued in Spring 1993 surveyed foreign investment in Slovakia over the period ending in December 1992. The present section extends this analysis to include the period of Slovakia's independent development (as from 1993).

Growth and capitalization

The total *number* of FIEs in Slovakia increased from 2,012 in April 1992 to 2,825 at the end of that year. During the two first years of independent development, the number of companies with foreign participation grew by a factor of 2.5, and at the beginning of 1995 stood at 7,207 (see Chart 5 and Table 5).[1] This growth continued during the first quarter of 1995: the number of FIEs increased by 411 and stood at 7,618 by the end of March.

Over the same period, the value of foreign investment stock grew at a slightly lower rate than the number of FIEs. During 1993-94, at yearly average exchange rates, the *cumulative foreign component* of the statutory capital of companies with foreign participation increased 2.4-fold, with yearly increments of FI stock amounting to US$ 135 and 186 million in 1993 and 1994, respectively. At the beginning of 1995, the cumulative value of foreign capital committed was US$ 551.7 million; during the first three months of the current year it further increased by US$ 13.7 million to total US$ 565.4 million at the end of the period under review.

Despite the growth of foreign investment over the last few years, Slovakia still lags behind the Czech Republic in terms of foreign capital attraction. While the Slovak GDP represents roughly 35 per cent of the Czech GDP, the cumulative value of its foreign investment does not exceed 18 per cent of its Czech counterpart.

During 1993-94, the *average foreign capital* committed per venture did not show any particular trend. Cumulatively, at the end of 1992 the average foreign participation amounted to about US$ 82 thousand. The following year this dropped to US$ 71 thousand then grew again to total US$ 77 thousand at the end of 1994. Thus, the average capitalization of an FIE in Slovakia was smaller than in most other transition economies of the region.

At the end of 1994, in cumulative terms, about 37 per cent of companies with foreign participation were *wholly foreign-owned*. Their share was slightly higher within the population of FIEs established during last year (38 per cent). At the same time, they enjoyed generally a lower foreign capitalization than other companies with foreign participation: the share of wholly foreign-owned subsidiaries (established in 1994) in FI stock (27 per cent) was lower than that in the number of FIEs.

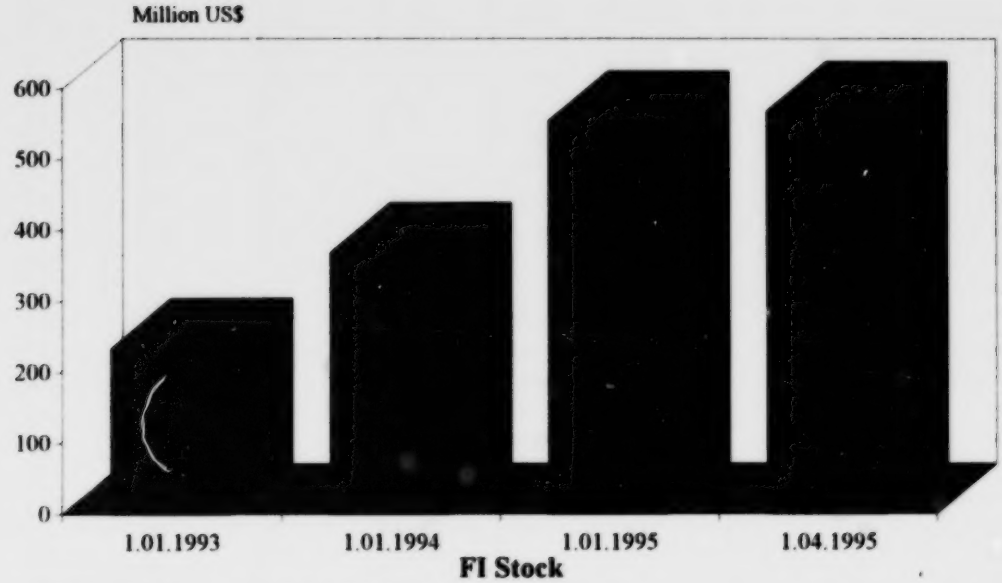
1 Information for this section was provided by the Slovak Statistical Office. Foreign capital data are extracted from the Business Register of Slovakia, which is based on the Registration Courts' records.

TABLE 5
Foreign investment in Slovakia

YEAR	FI STOCK			NUMBER OF FIEs	
	INCREMENTS	INCREMENTS	CUMULATIVE	INCREMENTS	CUMULATIVE
	(Million SKK)	(Million US$)			
1.01.1993 (cum.)	6607.1	231.2	231.2	2825	2825
1.01.1994 (1993)	4149.0	134.8	366.0	2318	5143
1.01.1995 (1994)	5786.4	185.7	551.7	2064	7207
1.04.1995 (1Q)	397.6	13.7	565.4	411	7618
TOTAL	16940.1	565.4	565.4	7618	7618

Note: Figures may not add to totals due to rounding. Foreign capital data are converted to US dollars at yearly (quarterly) average exchange rates.
Source: UN/ECE Secretariat - Slovak Statistical Office.

CHART 5
Growth of foreign investment in Slovakia



Source: UN/ECE Secretariat - Slovak Statistical Office.

Foreign partners

At the end of 1994, most of the foreign investment in Slovakia came from western Europe (see Chart 6 and Table 6). As much as 66 per cent of FI originated in that region, almost exclusively in member states of the European Union (65 per cent). The second largest consolidated investor were European transition economies, which contributed 16 per cent of all foreign capital. The share of companies from the United States amounted to over 14 per cent, while business operators from developing countries invested about 2 per cent of the total.

In terms of the number of foreign participations, the regional structure was significantly different. By this yardstick, the shares of western Europe and the United States were much smaller (44 and 3 per cent, respectively). By contrast, those of transition economies and developing countries were considerably larger than in terms of foreign capital. At the beginning of 1995, they respectively made up 32 and 19 per cent of the total number of FI cases.

As compared with the beginning of 1993, the structure of foreign investment has experienced certain changes. One notes, in particular, that during 1993-94 western Europe's share dropped by about five percentage points, and, to a lesser extent, this was also characteristic of most other regions (developing countries, in particular). Major beneficiaries, by contrast, were transition economies' companies, whose weight in FI stock increased considerably (their share did not exceed 2 per cent as of January 1993). Over the same period, the share of the US did not show any particular trend: it dropped in 1993 and partly recovered during the subsequent year.

Despite a certain decrease, the role of western Europe as the major source of FI in Slovakia is further confirmed by the distribution of the latter in terms of *leading investor-countries* (see Chart 7). Germany and Austria, with 22 and 21 per cent of total foreign capital were at the top of the list of major consolidated investors. This ranking also included the Czech Republic (15 per cent), the United States (14 per cent) and France (7 per cent). Taken together, these top-five major investor countries accounted for 80 per cent of total foreign capital accumulated in Slovakia to date. The top-ten major aggregate investors contributed as much as 97 per cent of the total.

It terms of the number of foreign participations, however, the concentration rates were lower: 57 per cent for the top-five consolidated investors and 68 per cent for the leading ten. Amongst those countries whose companies participated in the largest number of FI projects, one notes Austria (17 per cent), the Czech Republic (16 per cent) and Germany (13 per cent). It is also seen that by this measure, the leading investor countries included four transition economies - the Czech Republic, Hungary, Yugoslavia and Poland.

TABLE 6
Foreign investment in Slovakia by foreign investor country

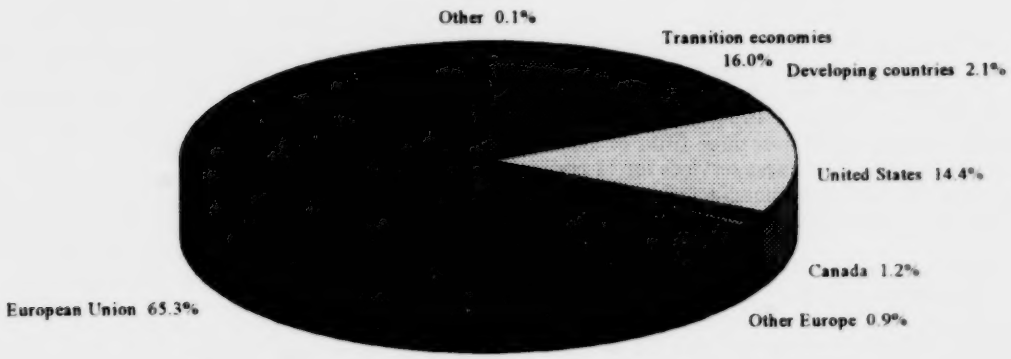
COUNTRY/REGION	FI STOCK (Million SKK)			NUMBER OF FI CASES		
	1.01.1993	1.01.1994	1.01.1995	1.01.1993	1.01.1994	1.01.1995
Western Europe:	4789.1	7498.6	10951.2	1992	2727	3298
European Union:	4626.8	7368.0	10798.7	1795	2477	3019
Austria	1883.5	2631.9	3485.1	908	1141	1288
Belgium	8.6	16.3	25.7	21	33	46
Denmark	2.6	8.8	3.9	3	8	8
Finland	1.1	1.1	1.1	7	7	7
France	42.5	1132.9	1153.8	38	65	81
Germany	1648.1	2255.8	3701.6	489	743	943
Greece	1.5	1.6	5.2	8	10	14
Ireland	-	-	5.5	-	-	5
Italy	357.3	373.3	421.9	199	262	367
Luxembourg	1.1	2.3	3.0	8	11	15
Netherlands	393.6	438.3	1106.1	57	99	123
Spain	11.6	6.7	7.0	10	13	16
Sweden	339.9	463.2	528.7	38	45	51
United Kingdom	15.4	35.8	438.0	28	40	55
Other Europe:	82.3	122.6	152.5	197	250	279
Cyprus	9.0	9.1	11.5	5	8	12
Iceland	-	-	0.8	-	-	1
Liechtenstein	4.5	5.9	6.6	17	24	28
Malta	0.3	1.3	...	3	4	...
Norway	13.1	3.9	4.1	5	5	8
Switzerland	53.8	100.3	127.4	147	183	202
Turkey	1.6	2.1	2.2	20	26	28
Canada	187.8	198.4	198.7	38	48	58
Israel	0.7	-	0.9	9	-	12
Japan	0.0	-	2.1	-	-	3
United States	1267.9	1384.7	2389.0	110	161	187
Developing countries:	330.2	327.6	341.5	26	14	1451
Brazil	3.1	3.1	3.1	2	2	2
Egypt	(2)	(2)	0.2	(2)	(2)	3
Hong Kong	(2)	(2)	0.2	(2)	(2)	4
India	0.7	(2)	1.1	4	(2)	9
Indonesia	(2)	(2)	0.5	(2)	(2)	1
Jordan	0.2	(2)	0.2	2	(2)	4
Iran, Islamic Republic of	(2)	(2)	0.1	(2)	(2)	1
Iraq	(2)	(2)	0.0	(2)	(2)	1
Korea, Republic of	323.4	323.4	323.4	1	1	1
Kuwait	(2)	(2)	0.2	(2)	(2)	2
Lebanon	1.1	1.1	1.3	9	11	13
Malaysia	...	...	0.1	...	...	1
Pakistan	-	-	0.0	-	-	1
Panama	(2)	(2)	0.2	(2)	(2)	2
Saudi Arabia	(2)	(2)	0.5	(2)	(2)	3
Singapore	(2)	(2)	0.2	(2)	(2)	3
Syrian Arab Republic	0.3	(2)	0.7	4	(2)	10
Taiwan, Province of China	1.0	(2)	1.7	2	(2)	5
United Arab Emirates	0.4	(2)	0.3	2	(2)	2
Venezuela	(2)	(2)	0.0	(2)	(2)	1
Yemen	(2)	(2)	0.0	(2)	(2)	1
Other	(2)	(2)	7.6	(2)	(2)	1381

(Continued)

COUNTRY/REGION	FI STOCK (Million SKK)			NUMBER OF FI CASES		
	1.01.1993	1.01.1994	1.01.1995	1.01.1993	1.01.1994	1.01.1995
Transition economies:	102.6	1332.6	2649.0	600	1561	2390
Albania	-	-	0.0	-	-	1
Bosnia & Herzegovina	(3)	0.9	1.3	(3)	10	18
Bulgaria	0.8	(2)	1.5	10	...	17
Croatia	0.6	5.1	6.3	9	32	45
Czech Republic	n.a.	1209.9	2510.4	n.a.	666	1185
Hungary	47.1	49.2	59.4	273	359	444
Latvia	-	-	0.0	...	...	1
Lithuania	-	-	0.1	...	...	1
Macedonia (F.Y.R. of)	(3)	(2)	0.7	(3)	(2)	11
Poland	12.1	15.9	17.2	85	134	156
Romania	0.1	-	0.3	1	-	6
Slovenia	(3)	(2)	1.9	(3)	...	23
Kazakhstan	(2)	(1)	0.1	(2)	(1)	2
Russian Federation	30.9	6.5	9.2	101	58	81
Ukraine	2.3	6.1	12.6	23	79	123
Other CIS	(2)	26.1	11.3	(2)	66	69
Yugoslavia	8.7	12.9	16.7	98	157	207
Non-European planned economies:	2.7	5.2	6.1	27	59	63
China	1.3	2.9	3.4	13	30	34
Viet Nam	1.4	2.2	2.7	14	29	29
Other:	1.0	3.9	3.9	12	22	24
Australia	1.0	3.9	3.8	12	22	21
South Africa	-	-	0.2	-	-	3
Non-classified	5.2	12.7	-	116	744	-
TOTAL	6607.1	10755.7	16542.4	2930	5336	7486

n.a. - Not applicable.
(1) Included under "Other CIS".
(2) Country data may be included under "Non-classified".
(3) Included under "Yugoslavia".
Note: Figures may not add to totals due to rounding.
Source: UN/ECE Secretariat - Slovak Statistical Office.

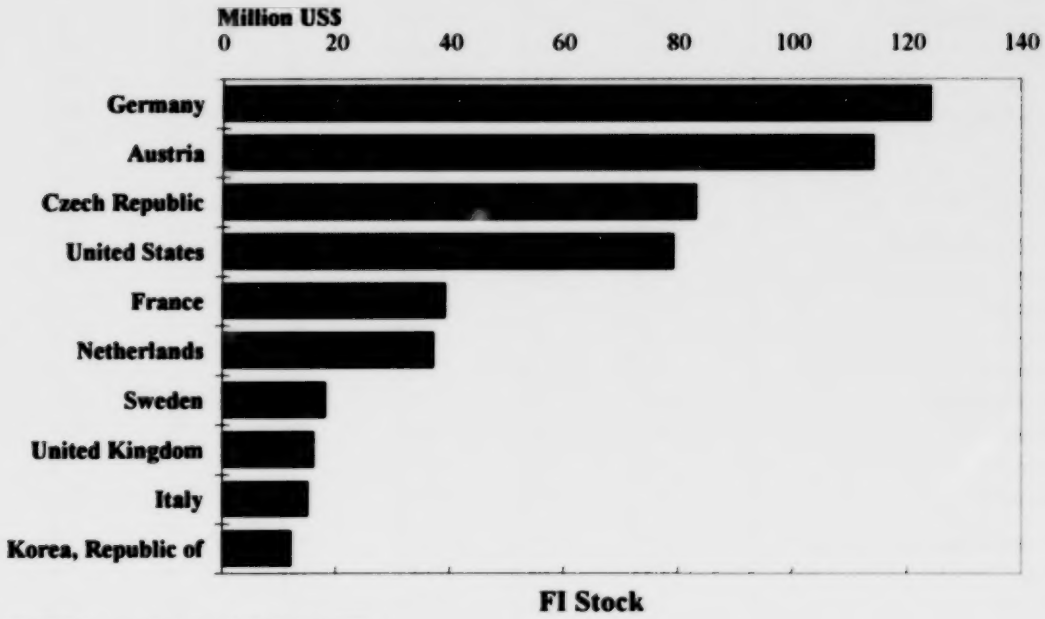
CHART 6
Foreign investment in Slovakia by origin of foreign investor, end 1994



FI Stock

Source: UN/ECE Secretariat - Slovak Statistical Office.

CHART 7
Foreign investment in Slovakia by major foreign investor country, end 1994



Source: UN/ECE Secretariat - Slovak Statistical Office.

Industrial breakdown

Information available for the end of 1994 in ISIC rev. 3 terms attests to a strong concentration of foreign investment in manufacturing and trade (see Chart 8 and Table 7). These two sectors accounted for 47 and 31 per cent of total FI stock to date, respectively. Financial intermediation (11 per cent) taken together with business activities (5 per cent) and hotels and restaurants (3 per cent) attracted as much as 19 per cent of the total, while the weights of other economic sectors were significantly lower, accounting for less than one and a half per cent, each.

It is to be noted that in terms of the number of enterprises, the universe of foreign investment was largely composed of companies in trade intermediation and business services. At the end of 1994, wholesale and retail trade FIEs accounted for over three-fifths of their total number, while those in business services for 14 per cent. In contrast, the share of manufacturing did not exceed 12 per cent of the total number of FIEs.

Within manufacturing, the chemical industry and the production of motor vehicles have attracted to date the largest volumes of FI. Their respective shares in the sectoral volume of foreign investment were 35 and 29 per cent. Taken together with non-electrical machinery (machinery and equipment N.E.C. - 7 per cent), these industries accounted for almost 72 per cent of the cumulative foreign capital in manufacturing. This attests to the concentration of foreign investors' activities in the production of investment goods.

On the other hand, food and consumer goods industries (food and tobacco, textiles, leather and wearing apparel) had only 9 per cent of sectoral FI, although they accounted for 25 per cent of enterprises with foreign participation.

The data available in terms of NACE (European Union Industrial Classification of Economic Activities fully compatible with ISIC rev. 3 at the two-digit level) show that during 1993 and 1994 the share of manufacturing in FI stock tended to decrease (at the beginning of 1993 this amounted to 50 per cent). On a smaller scale, this was also characteristic of business activities and construction. By contrast, the share of financial intermediation (banking and insurance) tended to grow (8 per cent in 1993), while that of trade dropped from 29 per cent at the beginning of 1993 to 23 per cent the next year, to grow again to 31 per cent at the start of 1995 (see Table 8).

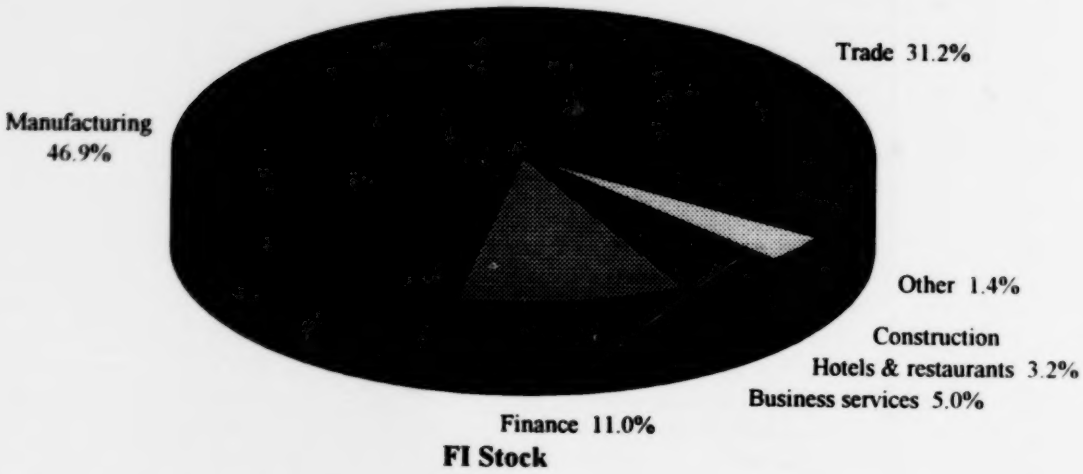
In sum, one notes that at the beginning of 1995, despite a certain decline in the sectoral share, most of the foreign investment in Slovakia was focused on manufacturing, followed by trade and financial intermediation. The weights of the latter two sectors were particularly important in terms of the number of FIEs. Within manufacturing, foreign investors have been interested primarily by engineering and chemicals, producing mostly investment and intermediate goods. By contrast, the consumer goods sector has attracted less foreign capital to date.

TABLE 7
Foreign investment in the Slovak Republic by industry

ISIC rev. 3 CODE	INDUSTRY	FI STOCK (Million SKK)	NUMBER OF FIEs
		1.01.1995	
A	Agriculture, hunting & forestry	36.8	31
B	Fishing	0.1	2
C	Mining & quarrying	13.5	10
D	Manufacturing, of which:	7758.8	878
15	Food	343.7	106
16	Tobacco	0.0	1
17	Textiles	347.0	37
18	Wearing apparel	12.2	42
19	Leather	14.8	33
20	Wood & wood products	84.7	68
21	Paper & paper products	16.8	10
22	Publishing	26.5	80
23	Coke & petroleum products	151.2	2
24	Chemicals	2725.2	24
25	Rubber & plastic products	54.5	50
26	Other non-metallic products	246.9	43
27	Basic metals	22.6	9
28	Metal products	277.1	103
29	Machinery & equipment N.E.C.	560.8	91
30	Office & computing machinery	19.3	8
31	Electrical machinery	326.5	36
32	Radio, TV & communication equipment	27.9	27
33	Medical & precision instruments	14.9	18
34	Motor vehicles	2281.2	13
35	Other transport equipment	1.1	4
36	Other manufacturing	203.2	61
37	Recycling	0.7	12
E	Electricity, gas & water supply	0.5	2
F	Construction	227.0	275
G	Wholesale & retail trade	5155.7	4472
H	Hotels & restaurants	534.1	106
60-63	Transport	46.4	168
64	Communication	33.9	11
J	Financial intermediation, of which:	1813.6	77
65	Financial intermediation, except insurance	1763.6	73
66	Insurance	50.0	4
K	Real estate & business activities, of which:	810.5	1018
70	Real estate	128.8	85
71	Renting of machinery	28.9	38
72	Computer activities	42.9	122
73	Research & development	42.2	16
74	Other business activities	567.6	757
M	Education	2.5	19
N	Health-care	6.3	2
O	Other services	89.2	119
	TOTAL	16542.4	7207

Note: Figures may not add to totals due to rounding.
Source: UN/ECE Secretariat - Slovak Statistical Office.

CHART 8
Foreign investment in Slovakia by sector of activity, end 1994



Source: UN/ECE Secretariat - Slovak Statistical Office.

TABLE 8
Foreign investment in Slovakia by industry (NACE)

INDUSTRY	FI STOCK (Million SKK)		
	1.01.93	1.01.94	1.01.95
Agriculture, forestry, fishing	7.0	37.0	36.9
Mining and quarrying	62.0	2.0	13.5
Manufacturing	3304.0	5468.0	7758.8
Electricity, gas and water	0.0	1.0	0.5
Construction	205.0	216.0	227.0
Wholesale and retail trade	1932.0	2443.0	5155.7
Hotels & public catering	11.0	528.0	534.1
Transport & communication	39.0	53.0	80.3
Banking and insurance	521.0	1307.0	1818.1
Business services, R&D	490.0	610.0	819.5
Education	1.0	3.0	2.5
Health care & social services	1.0	1.0	6.3
Other services	34.0	87.0	89.2
TOTAL	6607.0	10756.0	16542.4

Note: Industrial classification is the General Industrial Classification of Economic Activities within the European Communities (NACE), corresponding to ISIC rev. 3 at the 2-digit level.
Source: UN/ECE Secretariat - Slovak Statistical Office.

NEWS ROUND-UP

Recent and forthcoming meetings

* ***Workshops on cadastre and land administration***

• *The Workshop on Reform on Land Administration and Cadastre in Central and Eastern Europe* was held in Apeldoorn, Netherlands, 31 May-2 June 1995. Organized by the Netherlands Cadastre and Public Registers Agency, in cooperation with the United Nations Economic Commission for Europe, the Workshop was devoted to policy questions related to the organizational, legal, financial, administrative and management aspects of land administration and cadastre. Sixty-seven high-level policy makers from sixteen transition economies and twelve western countries took part in the Workshop.

The background papers prepared for the Workshop addressed many issues related to cadastre and land registration systems which have a crucial impact on transferring land and real property to private persons or institutions, private initiative and on the overall economic and social conditions in the countries concerned. Information was also provided on the work of the ECE Task Force to prepare "Guidelines on Land Administration with particular reference to countries in transition" which will, inter alia, constitute the ECE's contribution to the Habitat-II Conference to be held in Istanbul (Turkey) in June 1996.

• *The next ECE workshop on cadastre and real property registration problems in countries in transition* will be held in Jurmala (Latvia) on 25-27 September 1995.

For more information, contact:

Environment and Human Settlements Division
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* **The *Seminar on Attracting Private Investment for Large-Scale Infrastructure Projects in the Transition Economies*,** will be held in Geneva, Switzerland, on 13 November 1995. This seminar, organized by the United Nations Economic Commission for Europe, is devoted to facilitating project finance in the transition economies. To achieve this end, the seminar will inform Governments in transition economies of project finance schemes utilizing private capital in the modernization of their infrastructures; in addition, foreign enterprises will be apprised of opportunities in the countries of central and eastern Europe (including the CIS countries). This seminar will also outline the financial and legal problems which are encountered in project financing and thereby determine the area of support in terms of legal advice or model contracts.

This seminar will be divided into three parts: (1) general issues in project finance and the presentation of finance scheme case studies; (2) government policy towards using private enterprises to develop and operate their infrastructures; and (3) the legal and financial conditions for undertaking successful infrastructure-project-finance schemes in the transition economies.

Participation in this seminar is open to representatives of companies that are active in infrastructural projects in the transition economies, bankers involved in evaluating and structuring project finance transactions, lawyers in contracting organizations and legal advisers, executives of export credit and international agencies involved in project finance, and officials from the relevant ministries from central and east European countries.

For further information, contact:

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Fax: + (41 22) 917 0037/917 0036

* ***The round-table on finance for trade and investment*** will be held in Geneva, Switzerland, on 5 December 1995. This round-table is organized under the auspices of the Committee on the Development of Trade (forty-fourth session, 5-7 December 1995) and is open to all interested parties.

A study on this subject is now being prepared by the UN/ECE Trade Division. The central theme of the study is an assessment of trade finance as it presently exists in the transition economies, in particular in the CIS.

Enterprises in the CIS have little experience in making loan requests, raising funds for exports and, in general, dealing with the financial sector. Banks in turn have little experience of disbursing credit to commercially viable enterprises on the basis of commercial criteria, especially in the export sector. Based on the needs of enterprises, the study makes practical recommendations to improve access to trade finance.

The UN/ECE Trade Division also attaches great importance to cooperation with other organizations that are active in the field of trade finance and investment in order to combine expertise and complement programme activities for the benefit of "target" countries. Based on the ECE study's findings, a number of follow-up activities will be proposed that could ameliorate the current problems of trade finance in the countries of central and eastern Europe.

Further details on the round-table are available from:

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